Government of Saskatchewan

Annual Report 1989-90

The Saskatchewan Beef Stabilization Board

Saskatchewan
Beef Stabilization Board
Annual Report
1989-90

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Saskatchewan
Beef
Stabilization
Board

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Saskatchewan Beef Stabilization Board

To Her Honour,
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Saskatchewan Beef Stabilization Board for the twelve months ending March 31, 1990.

I have the honour to be, Madam,
Your obedient servant,

Harold Martens

Honourable Harold Martens,
Associate Minister of Agriculture and Food

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Saskatchewan Beef Stabilization Board

Honourable Harold Martens,
Associate Minister of Agriculture and Food
Province of Saskatchewan

Sir:

I am pleased to present herewith the Annual Report of the Saskatchewan Beef Stabilization Board for the twelve months ending March 31, 1990.

Lynn Grant

Respectfully submitted,
Lynn Grant, Chairman
Saskatchewan Beef Stabilization Board

Saskatchewan
Beef
Stabilization
Board

Board Personnel 1989-90*

Board of Directors

Mr. Boyd Anderson, Chairman ..... Fir Mountain
Mr. W.G. (Bud) Morken, Vice-Chairman ..... Sturgis
Mr. Errol Cochrane ..... Fort Qu'Appelle
Mr. Lorne Cholin ..... Kerrobert
Mr. Rudy Jurke ..... Lloydminster
Mr. Bernard Kirwan ..... Gull Lake
Mr. Richard Pratt ..... Saskatoon
Mr. Orville Thompson ..... Carnduff
Mr. Evans Thordarson ..... Mozart
Mr. Ken MacDonald ..... Indian Head

Staff

Jim Stalwick ..... General Manager
Al Zielinski ..... Manager, Finance & Administration
Harry Long ..... Marketing Manager

The Board also employed a total of 28 full-time and temporary staff as of March 31, 1990.

* A new Board of Directors was appointed on March 27, 1990.

Saskatchewan
Beef
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1989 - 1990 Report

This report covers the 1989-90 fiscal year of operation of the Saskatchewan Beef Stabilization Board.

In January 1989, the Premier and Minister of Agriculture and Food, Mr. Grant Devine, announced that Saskatchewan would be entering the National Tripartite Stabilization Program for Beef and that the existing Saskatchewan Beef Stabilization program would be phased out. The Cow Calf to Finish Market Insurance Plan was phased out on March 31, 1990 and the Feeder Finish Market Insurance Plan was phased out on October 1, 1989.

The Provincial Government and the Federal Government completed negotiations for Saskatchewan's entrance into the National Tripartite Programs for beef and honey. The final settlement of accounts between the Provincial and Federal Governments is to be completed by February 1991.

Provincial Programs

The two Provincial Market Insurance Programs were based on insurance principles. Producer levies were collected when the animal was sold and the provincial government matched the levies. A payment to the contract holder was triggered whenever the average weekly market price received fell below the established support price.

The marketing service provided to the producers offered them flexibility in the marketing of their cattle. The marketing service operated in a manner similar to a commission firm at a public stock yard, except the cattle were sold while in the feedlot.

The Feeder Finish program deficit on April 1, 1989 of $53.35 million was up $30.7 million from April 1, 1988. Two changes were necessary to control the increasing deficit; the first being a reduction in the support formula. The formula was reduced by lowering the percentage of costs covered in the calculation from 95% to 93%. The second change was the increase in levies for both the producer and government from 3% to 4%.

A comprehensive plan was implemented to finalize all financial activity within the Saskatchewan Beef Stabilization Programs. The plan called for the summarization of financial transactions within each file, evaluating options and taking the appropriate action. The projected date for the finalization of Saskatchewan Beef Stabilization Board files is March 31, 1991.

ECONOMIC STUDY

The University of Saskatchewan Agriculture Economics Department continued its study on the impact of the red meat industry on the economy of Saskatchewan. The study is being carried out in conjunction with the Saskatchewan Pork Producers Marketing Board and includes a section on the economies of scale and the cost of production for the beef and pork industries. The study is scheduled to be completed by June 1991.

National Tripartite Stabilization Programs

The National Tripartite Stabilization Programs were established by federal/provincial agreements. The programs are commodity specific and have been implemented for the purpose of stabilizing market returns to producers to help offset risks associated with income fluctuations resulting from cyclical changes to cost of production and/or market prices.

The Beef and Honey programs are based on the following principles:

- All producers enrolled in a program shall receive the same level of support per unit of marketed production.
- Premiums will be shared by the Government of Canada, the Governments of participating provinces and participating producers.
- Producer participation is voluntary.
- The programs are designed to be actuarially sound.

- The programs should operate at a level that limits losses but does not stimulate production.
- A comparable level of support will be provided in all tripartite stabilization commodity plans.

COMMITTEE STRUCTURE

The National Tripartite Stabilization Program Committee has equal representation from Federal and Provincial Governments and producer associations. Representation rotates among all participating provinces. All participants in the plan will be represented over the life of the plan. In 1989-90 the Saskatchewan representatives on the beef and honey National Committees were Doug Winsor and John Gruszka respectively, both representing the Saskatchewan government.

SUPPORT CALCULATIONS

Honey

The support price for honey is based on an indexed moving average price (IMAP). This is the national average price over the preceding seven years, adjusted for inflation. The support price was set at 90% of the IMAP. The percentage of IMAP may be changed at the discretion of the Committee as needed to keep the plan financially self-sustaining over time but it shall not exceed 90%.

Cow-Calf Plan

The support level is based on 85% of the indexed moving average price (IMAP). The IMAP is the national average selling price of calves in the preceding ten years adjusted for inflation. The national average selling price of calves is the price of steer and heifer calves at representative markets selected by the committee. The national average price is calculated by weighting the average price at the public stockyards by the distribution of beef cow numbers. Support payments will be issued for any year that the national average selling price falls below the support level and will equal the difference between the two.

Feeder - Slaughter

The support level for feeder cattle equals the estimated national current cash costs of production in the month plus 85% of the difference between these costs and the national average selling price of heavy feeder cattle in the same month for the preceding five years. This is called the guaranteed margin approach. The national cash costs of production are calculated from production models for raising long-keep heifers and steers weighted by the number of feeder cattle marketed across Canada. The national average selling price is the average price of heavy feeder heifers and steers in regionally representative markets selected by the Committee and weighted by the number of cattle sold in the various regions of Canada. After the end of each quarter, the Stabilization Committee announced the support level for feeder and slaughter cattle for each month of that quarter. Stabilization payments are triggered in any month the national average selling price falls below the support level as calculated for each month in that quarter.

Operations 1989 - 1990

Administration

The entrance of Saskatchewan into the National Tripartite Stabilization Program for Beef and Honey required new administrative procedures to be developed, including computer software. The short term solution for computer software was the use of a modified version of the Saskatchewan Beef Stabilization computer software. To further enhance administration of the program, planning began for the development of a new in-house software package. The new software will operate on a Local Area Network providing timely information to all users.

In 1989-90 the Board continued its efforts to keep producers informed of program changes, in particular, Saskatchewan entering the National Tripartite Stabilization Programs. In addition to newsletters and mailouts, staff conducted a series of public and private meetings with producers. Emphasis was given to explaining the intricacies of Tripartite and the different options available.

Operations Data

PROVINCIAL PROGRAMS

	1989/90	1988/89
Active Production Units		
Cow Calf to Finish Market Insurance Plan	172	984
Feeder to Finish Market Insurance Plan	1,816	1,683
Animals Stabilized		
Cow Calf to Finish Market Insurance Plan	4,875	26,458
Feeder to Finish Market Insurance Plan	152,759	283,176

NATIONAL TRIPARTITE STABILIZATION PROGRAMS

ENROLLMENT INFORMATION

Feeder/Slaughter		**Cow Calf**	
Producers Enrolled	1,780	Producers Enrolled	1,745
Total Animals Enrolled	214,934	Total Animals Enrolled	88,417
Total Eligible Sales	107,621		

TRIPARTITE PREMIUM AND STABILIZATION PAYMENTS - 1989

SLAUGHTER OPTION				
YR/QTR	PREMIUM RATE PER HEAD	PAYOUT PER HEAD		
		MONTH 1	MONTH 2	MONTH 3
Q2 89	$8.10	$44.50	$59.83	$68.58
Q3 89	$8.10	$49.30	$10.28	$17.35
Q4 89	$8.10	$12.93	$29.21	$ 5.16
Q1 90	$8.10	$ 0.00	$ 0.00	$11.96

FEEDER OPTION				
YR/QTR	PREMIUM RATE PER HEAD	PAYOUT PER HEAD		
		MONTH 1	MONTH 2	MONTH 3
Q2 89	$4.85	$16.62	$23.68	$ 9.32
Q3 89	$4.85	$ 0.00	$ 0.00	$ 1.65
Q4 89	$4.85	$ 0.00	$ 0.00	$ 0.00
Q1 90	$4.85	$ 0.00	$ 0.00	$11.45

COW CALF OPTION		
YEAR	PREMIUM PER HEAD	PAYOUT PER HEAD
1989	$9.00	$0.00

Saskatchewan
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Saskatchewan
Beef Stabilization Board

Financial Statements

Year Ended March 31, 1990

Office of the Provincial Auditor
Regina, Saskatchewan

Saskatchewan
Beef
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Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the balance sheet of the Saskatchewan Beef Stabilization Board as at March 31, 1990, and the statements of revenue, expenditure and surplus and changes in cash position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

W.K. Strelioff

Regina, Saskatchewan
January 9, 1991

W.K. Strelioff, C.A.,
Provincial Auditor

Statement 1

Saskatchewan Beef Stabilization Board
Balance Sheet
March 31, 1990

		1990		1989
ASSETS				
Current Assets:				
Cash		$1,056,371		$1,520,365
Short-term investments		2,062,726		—
Accounts receivable:				
- Department of Agriculture and Food		—		117,234
- Accrued interest		51,882		82,489
- Miscellaneous		13,741		124,347
		3,184,720		1,844,435
Fixed assets (Notes 1 (b) and 4)		50,699		62,132
Deferred charges (Notes 1 (c) and 5)		108		78,756
Producers' trust fund assets:				
Cash	$ 11,493		$4,852,726	
Accounts receivable	112,977		2,725,867	
Due to Cow Calf to Finish Market Insurance Plan	14,600	139,070	—	7,578,593
Tripartite Stabilization Trust Fund Assets:				
Cash	1,233,774			—
Accounts receivable:				
- Producers (net of allowance)	398,040			—
- Other	33,641	1,665,455		—
		$5,040,052		$9,563,916
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable		$ 158,009		$ 107,309
Deferred revenue				
- Department of Agriculture and Food		227,429		—
Producers' trust fund liabilities:				
Due to producers	$ 110,505		$5,882,333	
Due to Cow Calf to Finish Market Insurance Plan	—		113,730	
Due to Feeder Finish Market Insurance Plan	65		1,275,916	
Other	28,500	139,070	306,614	7,578,593
Tripartite Stabilization Trust Fund Liabilities:				
Department of Agriculture and Food	422,294			
Agricultural Stabilization Board	1,243,161	1,665,455		—
Equity:				
Surplus (Statement 2)		2,850,089		1,878,014
		$5,040,052		$9,563,916

(See accompanying notes to the financial statements)

Statement 2

Saskatchewan Beef Stabilization Board
Statement of Revenue, Expenditure and Surplus
For the Year Ended March 31

	1990	1989
Revenue:		
Interest	$ 1,063,634	$ 991,525
Marketing Fees	367,788	672,429
Department of Agriculture and Food		
- administration grant	1,810,549	421,796
- development grant	—	14,000
Insurance commissions	32,577	63,004
Miscellaneous	3,121	2,956
	3,277,669	2,165,710
Expenditure:		
Salaries and employee benefits	1,183,684	803,972
Office supplies	186,020	147,528
Computer services	169,490	80,515
Communications	149,481	166,056
Amortization and depreciation	136,649	146,425
Directors' honoraria and travel	84,722	79,629
Research	78,516	8,810
Accounting and legal	72,687	37,410
Advertising and promotion	58,628	11,082
Travel and sustenance	52,702	30,814
Computer maintenance	26,221	26,095
Investigations	25,052	26,905
Miscellaneous	19,471	8,329
Dues and subscriptions	16,725	18,287
Delivery	14,746	24,564
Bank charges	12,150	8,752
Repairs and maintenance	11,552	1,375
Compliance per diem and travel	4,562	—
Producer information	2,250	6,198
Fieldman per diem and travel	286	15,665
	2,305,594	1,648,411
Excess of revenue over expenditure	972,075	517,299
Surplus, beginning of year	1,878,014	1,360,715
Surplus, end of year (Statement 1)	$ 2,850,089	$1,878,014

(See accompanying notes to the financial statements)

Statement 3

Saskatchewan Beef Stabilization Board
Statement of Changes in Cash Position
For the Year Ended March 31

	1990	1989
Cash provided by operations:		
Excess of revenue over expenditure	$ 972,075	$ 517,299
Add charges to operations not requiring an outlay of cash:		
Amortization and depreciation	136,649	146,425
Amortization of deferred revenue	—	(14,000)
	1,108,724	649,724
Net change in non-cash working capital	536,577	(56,917)
Cash provided by operations	1,645,301	592,807
Cash (used for) provided by capital transactions:		
Cash used for capital expenditures	(46,569)	(15,323)
Proceeds from sale of fixed assets	—	1,208
	(46,569)	(14,115)
Increase in cash	1,598,732	578,692
Cash position, beginning of year	1,520,365	941,673
Cash position, end of year	$ 3,119,097	$1,520,365

(See accompanying notes to the financial statements)

Saskatchewan Beef Stabilization Board
Notes to The Financial Statements
March 31, 1990

1. **Significant Accounting Policies**
   These financial statements have been prepared in accordance with accounting policies that are considered appropriate for organizations of this type. The significant accounting policies are as follows:

   (a) Revenue Recognition
   Marketing fee revenue is recognized on the basis of slaughter date.

   (b) Fixed Assets
   Equipment, leasehold improvements and computer hardware are recorded at cost less accumulated depreciation; maintenance and repairs are charged against operations as incurred.

   Equipment is depreciated over its estimated useful life on the diminishing balance method at 20% per annum. Leasehold improvements are amortized over the life of the lease.

   Computer hardware is depreciated over its estimated life on the straight-line method at 20% per annum.

   (c) Deferred Charges
   Computer software development costs are amortized over their estimated useful life on the straight-line method at 20% per annum.

   (d) Producers' Trust Fund
   The Producers' Trust Fund was established to collect funds from the sale of producers' cattle to the packing plants and segregate these funds into amounts held for producers, truckers/assemblers, insurance, stabilization levies and marketing levies and to make payments or transfers to these groups as appropriate.

   (e) Tripartite Stabilization Trust Fund
   The Tripartite Stabilization Trust Fund was established to collect premiums from producers and forward the funds to the Federal Agricultural Stablization Board. Premium receivables are recorded on the date they become payable to the Board.

2. **Incorporation**
   The Board was established under The Beef Stabilization Act 1980-81, C. B-0.1 and commenced operations on January 1, 1982. The Board's main function is to market beef on behalf of producers and to administer the Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan.

   The Board has also undertaken the delivery of the Tripartite Beef and Honey Stabilization Programs.

3. **Cow Calf to Finish Market Insurance Plan and Feeder Finish Market Insurance Plan**
   The Board administers the above plans which form part of The Saskatchewan Agricultural Returns Stabilization Fund established under Section 5 of The Saskatchewan Agricultural Returns Stabilization Act. Stabilization transactions are therefore included in the financial statements of The Saskatchewan Agricultural Returns Stabilization Fund.

   The Feeder Finish Market Insurance Plan was discontinued effective October 1, 1989 and the Cow Calf to Finish Market Insurance Plan was discontinued effective March 31, 1990.

4. **Fixed Assets**
   The costs and related accumulated depreciation are as follows:

	Cost	Accumulated Depreciation	1990 Net Book Value	1989 Net Book Value
Office equipment	$ 53,745	$ 14,324	$ 39,421	$ 9,918
Leasehold improvements	8,670	—	8,670	—
Computer hardware	333,855	331,247	2,608	52,214
	$396,270	$345,571	$50,699	$62,132

5. **Deferred Charges**
   The costs and related accumulated amortization are as follows:

	Cost	Accumulated Amortization	1990 Net Book Value	1989 Net Book Value
Computer software	$393,253	$393,145	$108	$78,756

6. **Related Party Transactions**
   (a) Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan-controlled departments, agencies and corporations with which the Board is related.

   Account balances resulting from these transactions are included in the Balance Sheet and are settled on normal trade terms.

   (b) Costs borne by other agencies
   The Board has not been charged with certain occupancy costs and no provision for these costs is shown in the financial statements.

7. **Contingency**
   The Saskatchewan Beef Stabilization Board has been named as a defendant in a lawsuit. The outcome of this lawsuit is not determinable at this time. The amount payable, if any, will be charged to income of the period in which the settlement occurs.

8. **Comparative Figures**
   Certain 1989 balances have been reclassified to conform with the current year's presentation.

9. **Subsequent Event**
   The Tripartite Beef Administration Board was established under the provisions of the Farm Financial Stabilization Act 1989-90 C.F-8.001 to administer the National Tripartite Honey and Beef Stabilization Programs as of September 1, 1990. Effective September 1, 1990 The Saskatchewan Beef Stabilization Board transferred all its assets and contractual obligations to The Tripartite Beef Administration Board.

Five Year Summary — unaudited

	1989-90	1988-89	1987-88	1986-87	1985-86
Revenues	3,277,669	2,165,710	1,612,233	1,505,504	1,181,589
Expenses	2,305,594	1,648,411	1,417,658	1,213,149	1,138,938
Excess of Revenue over Expenses	972,075	517,299	194,575	292,355	42,651
Current Assets	4,989,245	9,423,028	11,087,738	5,724,020	4,085,612
Current Liabilities	2,189,963	7,685,902	9,986,221	4,836,102	3,522,963
Plant and Equipment Additions	46,469	14,115	102,017	73,202	51,676
Depreciation and Amortization	136,649	146,425	134,738	119,215	106,255
Average Number of Employees	28	28.5	26.5	24.5	21.5